



2.1

SPECIAL COMMITTEE OF THE WHOLE MEETING

**Community Room
Monday, October 20, 2014
6:00 p.m.**

Present:

Mayor Blomberg	Trustee Brandt
Trustee Feldman	Trustee Grujanac
Trustee McDonough	Trustee Servi
Trustee McAllister	Village Clerk Mastandrea
Village Treasurer Curtis	Village Attorney Simon
Village Manager Burke	Chief of Police Kinsey
Finance Director Peterson	Public Works Director Woodbury
Community & Economic Development	Utilities Superintendent Hawkins
Director McNellis	Management Analyst Shoukry
Operations Superintendent Pippen	Police Pension President Lee

CALL TO ORDER

1.0 ROLL CALL

Mayor Blomberg called the meeting to order at 6:12 p.m. and Village Manager Burke took the roll call.

2.0 ITEMS OF GENERAL BUSINESS

2.1 Finance and Administration

Village Manager Burke thanked the Board and staff for their attendance of the budget workshop and explained the reason for meeting is to review the proposed 2015 Budget and provide opportunity for the Board to ask questions. Village Manager Burke stated there are at least two meetings planned for this week, with more meetings scheduled in upcoming weeks if necessary. Village Manager Burke explained the first budget meeting will include a review of all General Fund expenditures and revenues, the Water and Sewer Fund expenditures and revenues, and Other Funds expenditures and revenues. The second budget meeting will address the General Capital Fund, and the Water and Sewer Improvement Fund. Village Manager Burke noted the proposed capital expenditures for 2015 should come of no surprise to the Village Board as the expenditures proposed largely fall in line with the projects and equipment/vehicle purchases detailed in the recently adopted 10-Year Capital Improvement Plan.

Village Manager Burke provided an overview of the assumptions and fiscal policies used in creating this budget, including:

- Flat or nominal increases in revenues; budgeted wage increases of 3% for non-union personnel;
- A 3.5% maximum merit increase; no major operational changes; no new personnel changes;
- A formal policy of maintaining 75% of general fund operating expenditures in reserves with a board target of 100% of operating;
- A guideline of current revenues supporting current expenditures except where board approves use of fund reserves or loan proceeds to cover capital needs;
- A formal policy of maintaining 20% of water and sewer fund operating expenditures in reserves;
- Setting water rates to fully support the total direct and indirect costs of water and sewer operations;
- Funding police pension liabilities at 80%;
- Fund retirement fund liabilities at 80%; and
- To levy property taxes only to fund police pensions and IMRF obligations.

Village Manager Burke noted the proposed budget meets all fiscal policies, except the IMRF funded status due to increased retirements in recent years. Village Manager Burke noted the proposed budget does reflect the Village meeting its annual actuarially determined funding requirements as requested by IMRF.

A discussion of the 20% Water and Sewer reserve funding policy and the general state of the Water and Sewer Fund followed. Village Manager Burke noted the policy of maintaining a reserve of 20% is sensible, but did reiterate the fund continues to rely on annual transfers from the General Fund to fund operations and capital needs. Village Manager Burke noted this is contrary to the Board's policy of establishing water and sewer rates at a level of support the total cost of water and sewer operations.

Village Manager Burke stated the proposed budget anticipates total operating revenue of \$10,376,950 and total operating expenditures of \$8,899,117. Village Manager Burke reviewed the following highlights of the proposed 2015 budget:

- General Fund operating revenues represent a slight decrease over the previous year.
- General Fund operating expenditures represent a 9.25% increase over the previous year.
- Prior to factoring in capital expenditures (reflected as a transfer to the General Capital and Water and Sewer Improvement Funds) the General Fund operating budget is balanced.

- The budget contemplates use of FY2015 revenues and reserves to fund capital projects.
- The proposed budget contemplates determining unassigned reserves, above the Village Board target, at the start of the fiscal year to be transferred to the General Capital Fund for use in funding needed current and future capital projects.

Village Manager Burke reviewed anticipated revenues in the FY2015 budget. He noted most revenue sources are unchanged, with slight modifications to projections based on this year's performance. Village Manager Burke stated staff has taken a conservative approach to projecting revenues and hopes actual numbers will outperform the projections.

2.11 Fiscal Year 2015 Budget Workshop

○ General Fund - Expenditures

Administration: Village Manager Burke explained the Administration budget is largely unchanged, with a 9.5% (\$25,000) overall increase largely due to professional development and training costs. Village Manager Burke also detailed the Administration department's goals for 2015 as being: strategic planning for the Village; continuing to work with the GovITC consortium; increased utilization of mobile technology for staff; continuing to update the personnel policies manual; complete Police union contract negotiations; explore high-deductible health insurance; implementation of an annual employee benefits statement; increased transparency and use of video on Village website; and a professional development initiative for the leadership personnel.

Finance: Finance Director Peterson updated the group regarding the Finance budget, which is largely unchanged from 2014. Overall, a 7.7% decrease in operating costs is anticipated. Finance Director Peterson also outlined the Finance Department's goals for FY2015 as being: continue to enhance 5-year financial forecast; implement new financial software and update procedure manuals; implement credit card processing; implement vendor direct deposit program; implement monthly utility billing as of January 1, 2016; and continue cross training efforts with other departments.

Police: Chief of Police Kinsey detailed the Police budget for 2015, noting a 3.2% increase in expenditures over FY2014. Chief of Police Kinsey stated the most significant change from last year's budget being the additional Sergeant added bringing the total number of authorized positions from 28 to 29 full time equivalents. Other notable changes include increasing funding to community oriented awareness and prevention programs and expanding national night out. Village Manager Burke explained the new budget format offers more clarity in the Police overtime expenditures vs. contract services overtime. He also stated call for service statistics will improve this year due to the implementation of New World Systems for dispatch. Finally, Chief of Police Kinsey updated the Board on current open positions in the department,

remarking he does not believe recruitment expenses will be necessary in 2015.

Mayor Blomberg inquired about progress on the Lake County area radio network. Chief of Police Kinsey stated the network is still in the early implementation process, and it is unlikely it will be ready in the next year. Mayor Blomberg also asked about the state of training and equipment for the department and if more funding was necessary. Chief of Police Kinsey stated the training is sufficient and staff has all the necessary equipment, and does not believe more funding is necessary.

Chief of Police Kinsey reviewed the Police Departments goals for 2015, which include: identify and train staff on use of crime mapping and incident analysis functions of New World Records; continue to update Police Department policies and procedures; develop a career development program for all Police personnel; and to continue to identify opportunities for collaboration with other agencies.

Community and Economic Development: Community & Economic Development Director McNellis outlined changes in the Community & Economic Development Department; noting a 7.2% increase in the overall budget due primarily to a proposed initiative to retain a consultant to develop a Lincolnshire brand (\$35,000) and increased spending on Village specific advertising through Visit Lake County (\$5,000), and increases for professional memberships. A discussion of advertising efforts with Visit Lake County followed. Board members were split on their support of the idea. Trustee McDonough stated he would prefer the \$5,000 budgeted for advertising be allocated to expand merit increases or other benefits for Village staff. There was a general consensus among the Board to hiring a consultant to establish a Lincolnshire brand. Community & Economic Development Director McNellis reviewed other Community & Economic Development Department goals for 2015, including: research possible revenue opportunities including existing fee structure for building permits and possible cellular facilities on public properties; continue to review and update zoning ordinances; provide planning and support to community events; implement community wide economic development/marketing program; evaluate and develop plan for Village identification signage program including entrance and kiosk signage; develop comprehensive pedestrian plan including finding signage for downtown and commercial corridors; and streamline building permit process.

Insurance and Common Expense: Village Manager Burke stated the Insurance and Common Expense budget reflects an 8.2% (\$105,410) increase over last year's budget, noting the most significant changes being: reductions in the telephone line expense by approximately 75% due to elimination of costly copper communication circuits; refining of splits in individual line items between other departments and funds; retention of professional services for strategic planning project; and new and continuing technology projects. Management Analyst Shoukry updated the board on upcoming technology goals and projects for 2015, including: a shared enterprise backup solution; a

group email spam filter and archiving solution; shared high speed network storage; replacement of all XP workstations in the Village; new records management system; and an update to the Board room recording and broadcasting procedures. Mayor Blomberg suggested live streaming of areas in the Village as well as of Village events on the Village website. Management Analyst Shoukry noted increasing the use of video is a goal for the coming year and stated he would look into possible options.

Public Works Administration: Public Works Director Woodbury outlined the Public Works Administration budget and noted the budget contemplates an 11.9% (\$22,300) increase compared to FY2014. He noted the most significant change as increasing professional engineering services from \$5,000 to \$50,000 due to lack of a professional engineer on staff. He reviewed the goals for the year, including: implement a department safety training program; evaluate outdoor lighting and explore possible LED conversion; implement long range pedestrian improvement plan; and develop long range flood mitigation plan for the Lincolnshire Drive area.

Public Works Streets: Public Works Director Woodbury stated the proposed budget reflects an 11.5% (\$109,175) increase compared to FY2014 due to the inclusion of annual maintenance expenses previously treated as capital items, including: miscellaneous storm sewer repairs (\$20,000); storm sewer cleaning increases from \$1,800 to \$4,000; pavement patching increases from \$25,000 to \$36,000; and increases to snow/ice control expenses related to upgrades in anti-icing equipment and bulk rock salt purchase through Lake County joint purchase.

Public Works Parks and Open Space: Public Works Director Woodbury stated the proposed budget reflects a 4.7% (\$65,725) decrease compared to FY2014. Public Works Director Woodbury noted the following highlights in the budget: additional funding for athletic field repair and restoration (\$10,000); annual expenses for upgrade to electrical systems at North Park (\$10,000); increase in hazardous tree removal related to Emerald Ash Borer from \$74,000 to \$100,000 in FY2015; increase in hazardous tree removal related to Emerald Ash Borer from \$74,000 to \$100,000 in FY2015; 4th of July fireworks expense increased from \$20,000 to \$30,000; and maintaining special event funding for the 4th of July, Holiday Tree Lighting, and Taste of Lincolnshire.

Board members inquired about the annual expense for upgrade to electrical system at North Park. Public Works Director Woodbury explained the wiring was done improperly when the park was built, and these yearly costs are to improve the wiring to lights in the park. Mayor Blomberg inquired about whether the Village could obtain better pricing by completing all the wiring work in one year rather than staggered throughout several years. Mayor Blomberg also inquired about increasing the wiring capacity to accommodate expansions in lighting at the park as the rewiring was being completed. Public Works Director Woodbury stated he would inquire with the Village's contractor regarding these questions. Trustee Brandt asked if any of the Rivershire projects could involve Boy scouts or local students. Public Works Director

Woodbury said he is always looking to make projects available for the community and will continue to reach out to the schools and scout leaders on possible partnerships for the Rivershire projects. However, Public Works Director Woodbury noted the work contemplated in partnership with the School District is likely to be beyond the scope of a scout project. Trustee Brandt also stated she thinks the Village should promote the “adopt a highway program” more; Public Works Director Woodbury said he would reach out to schools to inquire about interest.

Buildings: Public Works Director Woodbury noted the proposed budget reflects a 12% (\$19,525) decrease compared to FY2014. He also noted the major changes as being: eliminating salary allocations to this budget due to lack of a dedicated facilities staff person and the addition of a new line item for elevator inspections. Public Works Director Woodbury also reviewed major initiatives for this division, including: multi-media upgrade to the Public Works facility to facilitate training; upgrades to the electrical systems in the Village Hall Board Room; and a joint effort with School District 103 to upgrade the Rivershire Nature Center Building. Trustee McDonough brought up the importance of getting the building appraisal done for insurance purposes. Village Manager Burke said he would follow up on the appraisal by the end of the year.

- **Water and Sewer Fund Revenues & Expenditures**

Village Manager Burke provided an overview of the Water and Sewer operating funds, noting the following highlights: the total budgeted revenue is \$5,285,800, which includes a \$1,087,300 transfer from the General Fund, and the budgeted expenditures total \$6,154,780, including \$1,957,300 in capital projects. Village Manager Burke also called special attention to the 4.0% (roughly \$0.18/1000 gallons) increase in the water rate due to the 4.37% rate increase from Highland Park, and its impact on the projected revenues of the fund. An inquiry was made regarding why the full 4.37% rate increase was not being passed on to residents, Village Manager Burke responded a full rate analysis is necessary and would be forthcoming, at which time a more in depth conversation on the future of the water rate is expected to occur.

Trustee McDonough stated the Board is aware the water rate does not reflect true costs to provide water, but the Village Board has historically chosen not to charge for services at the full rate rather, but rather to subsidize the Water and Sewer fund via the General Fund. Village Manager Burke also noted there is no budgeted increase in the sanitary sewer rate as Lake County continues its rate study, but a rate increase may be pending.

- **Other Funds**

Motor Fuel Tax Fund: Village Manager Burke stated this budget area reflects the street resurfacing project for the amount of \$491,500, with \$175,000 coming from Motor Fuel Tax proceeds and \$316,500 from the General Capital Fund. The project aims to address .95 miles of streets targeting mainly Victoria East, Victoria West, Kensington Drive, Coventry Lane, and Coldstream Lane.

Police Pension Fund: Finance Director Peterson reviewed the Police Pension Fund budget noting a major goal for FY2015 is to implement GASB 68: Accounting and Financial Reporting for Pensions procedures. He also noted the budgeted amount of Village contribution is currently \$692,600, (based upon an open 15 year amortization, 6.5% rate of return, and a funding goal of 100%) an 18.2% increase from FY 2014. Director Peterson noted the budgeted amount is reflective of the request submitted by the Police Pension Board. Director Peterson then asked for Board direction regarding an alternative funding strategy based upon a closed 27 year amortization, 6.5% rate of return, and a funding goal of 100%, which would more closely resemble the funding model for IMRF. The Board discussed the issue, and the general consensus was to peruse the alternative funding model suggested by Finance Director Peterson. Trustee Brandt expressed her support for the staff recommended funding option based upon a 27 year closed amortization period.

The Village Board also noted in the past they have agreed to use reserves to make additional contributions to the Police Pension Fund if necessary.

A discussion regarding the historical practice of implementing a property tax levy only to fund pension obligations versus levying a property tax to fund public safety or capital expenses. The Board discussed the message being communicated to the public with different levy approaches but did not arrive at a consensus on the best approach. Trustee McDonough opinioned he would like to see the Police Pension obligations be paid out of the General Fund. Village Manager Burke stated the current public attitude towards pensions in the State is relatively negative, and a shift towards levying taxes for capital requirements or public safety may be beneficial. Trustee Brandt noted she thinks more education is necessary as the Village's pensions are responsibly funded via a planned approach by the Village. She also inquired about practices of neighboring communities in relation to this issue. Finance Director Peterson said he would research the subject and provide his findings at the next opportunity.

Retirement Fund: Finance Director Peterson Reviewed the Retirement Fund budget and noted the FY2015 budget reflects less than 2% improvement to funding level. He suggested if the Village Board were to reduce the Police Pension Fund levy amount to meet the closed 27 year amortization period, the reduction in the levy for Police Pension Fund could be directed to the Retirement Fund to continue to work to improve the funding.

Fraud, Alcohol, and Drug Enforcement Fund: Village Manager Burke outlined the Fraud, Alcohol, and Drug Enforcement budget, commenting that the budgeted revenues are not based upon anticipated 2015 forfeitures but on forfeited funds on hand as of December 31, 2014.

Vehicle Maintenance Fund: Village Manager Burke noted the Vehicle Maintenance budget is proposed to increase 4.9% (\$25,731) due to the major

change of including vehicle rehabilitation expenses previously treated as capital projects.

E911 Fund: Village Manager Burke reviewed the E911 fund and commented it reflects the E911 surcharge revenues only and the cost of Vernon Hills Dispatch Services, in its 2nd full year of service. He also noted the land line and wireless surcharge revenues have started to stabilize at approximately \$300,000.

Park Development Fund: Village Manager Burke stated 2015 would be the first year of the Park Development Fund, and it is anticipated to have a fund balance of \$108,345 as of December 31, 2014. The budget reflects \$30,000 in miscellaneous park improvements.

Sedgebrook Special Service Area Fund: Village Manager Burke reviewed the fund noting 2014 as the first year for this fund and it is responsible for repayments of bonds issued as part of Sedgebrook Development. He also noted the remaining debt service amounts range from \$1,159,375 to \$1,164,063.

Special Service Area Traffic Signal Fund: Village Manager Burke outlined the fund and commented IDOT completed traffic signal installation in FY2013 and agreed to cover 100% of the construction costs of the intersection. He also noted fund reserves are expected to cover 2015 to end of 2016 ongoing signal maintenance costs.

3.0 EXECUTIVE SESSION

Trustee Grujanac moved and Trustee McDonough seconded the motion to go into Executive Session for the purpose of discussing Personnel. The roll call vote was as follows: AYES: Trustees Brandt, McAllister, McDonough Servi and Grujanac. NAYS: None. ABSENT: Feldman. ABSTAIN: None. The Mayor declared the motion carried and the Board went into Executive Session at 8:53 p.m. and came out of Executive Session at 9:42 p.m.

4.0 ADJOURNMENT

Trustee McAllister moved and Trustee Brandt seconded the motion to adjourn. Upon a voice vote, the motion was approved unanimously and Mayor Blomberg declared the meeting adjourned at 9:43 p.m.